

DEVELOPMENT ALTERNATIVES, INC.

DAI/FINNET

Contract No. 521-C-00-00-00019-00

QUARTERLY REPORT

April-June 2002

CONTRACT OBJECTIVES

USAID Haiti Economics Group:

- Strategic Objective 1: Sustainable Increased Income for the Poor
- Intermediate Result 1.2 Small and Micro-entrepreneurs Economically Empowered

In the context of USAID Haiti's Strategic Objective 1 and Intermediate Result 1.2, DAI/FINNET's goal is to facilitate the development of microfinance in Haiti to improve the financial services available to the working poor. DAI has organized its strategy for technical assistance into two principal categories, industry building and institution building.

EXECUTIVE SUMMARY

The period April through June 2002 represents the first quarter of DAI/FINNET's third contractual year. The objectives for year three are programmed to capitalize on the strong results achieved in years one and two. As Haitian MFIs have now reached a stage in their evolution in which they face critical management and operational challenges, assuring an adequate level of institutional readiness among the FINNET partners remains a key concern.

The project goals are aimed appropriately at providing the broad range of active microfinance institutions in Haiti with enhanced business and financial management knowledge/skills, practical/cost effective management tools, and reinforced operational policies and procedures to increase the prospect for financial sustainability, operational efficiency, and greater outreach.

The FINNET core management team for Year Three is composed of:

Lloyd A. Freeman, Chief of Party
Nhu-An Tran, Manager of Technical Services
Alexandra Eustache, Training and Special Projects Coordinator
Osé Pierre, Regional Offices Coordinator
Eleonore Armand Xavier, Manager of Finance and Administration

Subcontractors: 1) *DID/ Desjardins*, continues to provide in-depth technical support to selected credit and savings cooperatives. Danielle Albert is the DID/FINNET project manager; 2) *Groupe AGIR*, continues to provide technical assistance particularly in the fields of accounting, MIS, and internal controls under the technical leadership of Mr. Coutilien Piquion.

The project momentum in year three continues to be encouraging and good progress was noted on several different fronts.

On the industry building side, DAI/FINNET:

- ◆ **Presented the 2nd annual National Conference** on April 24th and 25th with the theme “Knowing the Market”. The conference was attended by 110 participants representing over 60 institutions, primarily practitioners including commercial banks, NGOs and Cooperatives. Also in attendance were donors, government agencies, and consulting/resource firms that have a strong interest in the sector’s development.
- ◆ **Completed the annual inventory of Haitian microfinance institutions for the year 2001.** Eighty-one (81) MFIs were inventoried, with a total credit portfolio of 655 million gourdes (about US\$26 million) as compared to 593 million gourdes (US\$24 million) in 2000, and a total of 78,350 loans outstanding compared to 61,560 in 2000.
- ◆ **Conducted microfinance training for the incoming class of Peace Corps Business Development Volunteers** covering the basic principles of microfinance, the general characteristics of microenterprises, the various credit methodologies, as well as a broad overview of the sector in Haiti.
- ◆ **Participated in a roundtable organized by KNFP to present a new initiative called IMOFOR (Institut Mobile de Formation).** KNFP is a local network of village bank MFIs and mutualist organizations.
- ◆ **Held post audit debriefings, in collaboration with Freedom for Hunger, with audit firms who completed first external audits of MFIs in the Microstart program.** DAI/FINNET met with PAGS, the firm who conducted the audit of ACME, to discuss the firm’s experience with the audit process, and to gauge their interest in continuing to work in the microfinance sector. DAI/FINNET and Freedom for Hunger conducted a similar meeting with CEGEC who audited COD/EMH and ACLAM.
- ◆ **Organized a joint post audit workshop with Freedom from Hunger/MicroStart for the three MFIs (ACLAM, ACME, COD/EMH) who had experienced their first external audits as was required by the MicroStart Project.** The objectives of the workshop were to review and concretize the key elements of the audit process.

- ◆ **Coordinated with UNICEF to explore potential partnership linking Microfinance and HIV/AIDS programs.** DAI/FINNET met with Mr. Gruloos, a consultant for UNICEF, visiting Haiti to meet with key organizations working in the microfinance sector, as well as those who have both microfinance and health components in their programs.
- ◆ **Conducted an end of project debriefing with the final evaluation team of the UNDP MicroStart project.** The scheduled termination date is set for the end of September 2002. The objective of the evaluation was to assess the success of the program in developing the microfinance sector.
- ◆ **Conducted the quarterly leadership roundtable on June 5.** The main theme focused on the issue as to whether there is a need for a legal framework for microfinance which would require regulation and supervision by the Central Bank. The second item of the agenda was a presentation by KNFP on its mission and objectives, its structure and its membership.
- ◆ **Offered strategic guidance to partners to facilitate the establishment of a broad based association of MFIs.** DAI/FINNET held two meetings in June with the objective of helping sector partners move forward with the idea of establishing a national association of Haitian microfinance institutions.
- ◆ **Explored linkages with the Academy for Educational Development's LearnLink project (USAID).** Representatives from AED's LearnLink project came to meet with FINNET regarding its plan to hold several training workshops towards the end of its project cycle in July 2002. The project worked with the telecentres to develop training modules on the internet as well as providing training on other software applications. FINNET suggested that a one-day workshop targeted specifically to MFIs would be very useful.
- ◆ **Launched a sector salary survey in collaboration with FFH/MicroStart.** The survey queries MFIs about the compensation level for professional staff. The survey tool not only asks about salary level, but also requests information about the employee's overall benefits package, as well as annual adjustments such as cost of living. This activity is part of the broader FINNET initiative in the area of human resources management.

On the institution building side, DAI/FINNET:

- ◆ **Initiated a quarterly program of credit training for direct lenders.** During the first week of April, international consultant Manuel Moyart conducted two, 2-day sessions on credit analysis for direct lenders. 25 participants from two institutions attended the first session; 26 participants from 6 institutions were in the second session. The program will assist partner institutions to standardize their approach to credit analysis (e.g. developing a checklist of questions), and to reinforce officers'

quantitative analysis skills. In addition, a second course on portfolio supervision will be added in the coming quarter to reinforce the capacity of branch supervisors.

- ◆ **Developed a crisis management plan for BUH's microfinance program.** At the request of BUH, FINNET developed a technical assistance intervention to support BUH's own efforts to more effectively manage a growing level of delinquencies, and to refocus its business development activities in the microfinance market.
- ◆ **Provided internal accounts training for MEDA Village Banks.** DAI/FINNET has been working with MEDA in the past year to restructure and improve the institution's procedures for managing the village banks' internal accounts. An initial training was provided in December 2001 to all MEDA credit officers and regional coordinators on the new procedures and forms. During the months of April and May, FINNET assisted MEDA in conducting a series of trainings for village bank committee members on the new internal account management tools. The role of FINNET is also to ensure that key messages are effectively communicated.
- ◆ **Provided Information Technology (IT) technical assistance to three key partners institutions—BUH, FONKOZE, and Capital Bank.** These partners are grappling with MIS issues, specifically with portfolio management systems, for which technical assistance was needed in order to strengthen and improve management's ability to obtain timely and accurate information. The IT expert from DAI also worked with the local IT consultants engaged by DAI/FINNET to review and improve the current IT institutional diagnostic tool that is used by DAI/FINNET.
- ◆ **Conducted in May the first replication of the CGAP course on Delinquency Management.** This is the second module in a three-course curriculum that FINNET will be delivering throughout the year. 22 participants from 10 institutions attended the May session. A repeat session of the course was held from 17-19 June 2002, with 15 persons from 12 institutions participating. Given the continuing deterioration of Haiti's economy, many MFIs have been experiencing difficulties with arrears and have expressed interest in this course. Two additional sessions are scheduled for October 2002 and January 2003.

SUMMARIES OF KEY ACTIVITIES

FINNET Supports Partners to Form a Broad-Based Association of MFIs

DAI/FINNET organized and conducted two meetings with sector partners this June with the objective of helping sector partners move forward with the idea of establishing a national association of Haitian microfinance institutions.

During the discussions at the quarterly roundtable on June 5, it was concluded that the prospect for a legal framework should be an issue of common concern to all the actors in

the microfinance sector. This is especially relevant since the Ministry of Planning is working currently on a proposed law for cooperatives and credit mutuals, and is expected to turn its attention next to microfinance. Hence, it will be crucial that the MFIs in the sector work together to develop a unified position on the issue.

The presentation by KNFP at the roundtable also solicited interest among the participants for additional information on the organization's activities and the eligibility criteria for adhesion. The question was also raised as to whether KNFP would be an appropriate vehicle for unifying the MFIs in to a formal national association. KNFP was asked to explore the possibility of modifying its statutes to expand its membership to all MFIs regardless of methodology, thus becoming an entity that could represent the sector as a whole.

KNFP representatives agreed to approach its General Assembly to discuss the expansion issue. Participants agreed to continue the discussions on the need for an association, and the appropriate institutional vehicle for formalizing the association in a follow-up meeting to be held on June 27.

In preparation for the June 27 meeting, DAI/FINNET distributed to participants a concept paper on associations and a discussion framework to enrich the reflection process prior to the meeting and to facilitate the meeting process.

During this second meeting, a consensus was formed that an association was necessary not only to provide a voice for the sector but also to provide services of common interest to its membership. Elements of a vision statement were developed and some initial objectives of the association were identified, among them the development of a legal framework, the creation of a credit bureau, and the establishment of a common training program for MFIs.

It was also decided that a separate structure should be created for the association, after KNFP announced that the organization would like to retain its unique mission of providing financial services to underserved communities, and to support economic activities that increase national production.

A 6-member Task Force (ACME, COD/EMH, FHAf, MCN, ANACAPH, FONKOZE), representing the different methodologies and institutional types, was formed with the following mandate:

- to propose a name for the association;
- to outline and propose the vision, mission and objectives of the association;
- to draft and propose an initial charter/by-laws for the association; and,
- to outline and propose an institutional development program for the association.

The Task Force will be required to distribute their proposals to the larger group at the beginning of August. After a two-week review period, a meeting will be held for all MFIs on August 13 to discuss and to act upon the recommendations of the Task Force.

IT Technical Assistance Provided to FINNET Partners

Information & Communications Technology (ICT) is one of the key areas of intervention for DAI/FINNET. Most DAI/FINNET partners are now connected to the internet, which has helped to facilitate internal and external communications. However, the level of ICT usage and computer literacy is not evenly distributed throughout each institution. In addition, existing equipment is often outdated, and not properly secured or maintained adequately.

Secondly, some DAI/FINNET partners are currently grappling with MIS issues, specifically with portfolio management systems, for which technical assistance is needed in order to strengthen and improve management's ability to obtain timely and accurate information about its loan portfolio.

Gabor Simon, an IT specialist from DAI/Bethesda, provided during the period from May 13-21, technical assistance to three partner institutions—BUH, FONKOZE, and Capital Bank. He also worked with the local IT consultants engaged by DAI/FINNET to review and improve the current IT institutional diagnostic tool that is used by DAI/FINNET.

Mr. Simon worked with the BUH Krédi Popilè manager to design a set of 5 key portfolio management reports based on KP's requirements. For each report, Gabor advised on the content, format, and frequency in which the reports should be generated.

The proposed reports will be submitted to BUHs' IT department who will look into the possibility of generating these reports with the bank's existing MIS framework, BankPower from Kindle. KP is currently being managed on an Excel spreadsheet.

Gabor spent two days with Fonkoze to review the new IT master plan which is divided into three parts: electrification management, communication system and network management, and software acquisition.

For the software, Fonkoze has purchased and will install eMerge from Temenos. The consultant met with key staff to have an understanding of the entire network requirements (communications, power sources, software and hardware), to evaluate the conversion process to date, and to give recommendations for assuring the success of the transition.

In addition, Gabor also met with Capital Bank, who is planning to launch its microfinance product by December, to advise the bank on different IT options that the bank should consider for implementation of an effective and efficient MIS for microfinance.

DAI/FINNET Sponsors Second National Conference for MFIs in Haiti: “Knowing the Market”

Conducting market research is a critical first step for developing a viable business plan, or for launching new products and services. Without an adequate market research strategy, Haitian MFIs forego important client information that will be useful in modifying institutional behavior to better meet clients’ needs.

To broaden the awareness of and to encourage such activities in Haiti, DAI/FINNET chose the theme “Knowing the Market” for the 2nd annual National Conference held on April 24th and 25th. The conference was attended by 110 participants representing over 60 institutions, primarily practitioners including commercial banks, NGOs and Cooperatives. Also in attendance were donors, government agencies, and consulting/resource firms that have a strong interest in the sector’s development.

The event was kicked off by a welcome from Lloyd A. Freeman, DAI/ FINNET’s Chief of Party. This was followed by remarks by Mr. David Adams, USAID/Haiti Mission Director. Adams spoke on the current status of microfinance in Haiti and its development into a true industry. To this end, Adams underscored the importance of understanding and implementing market and impact study initiatives.

The first day of the conference featured Ms. Cecilia Campero of DAI/Bolivia, Mohammed Maarouf of Al-Amana/Morocco, and Michal Matul and Stephanie Gober of PlanetFinance, who shared their international experiences with market research and impact study initiatives.

Ms. Campero outlined the market evolution in Bolivia, which focused on the steps and conditions in Bolivia that led to a highly successful microfinance industry. She also communicated the reasons and effects of the current microfinance crisis in Bolivia, demonstrating the true importance of understanding the market and responding to the needs and obstacles facing the clients and the industry.

Mr. Maarouf followed with a review of the microfinance sector in Morocco and the factors and motivations to become more centered on the client and on the conditions of the market. Mr. Matul and Ms.Gober presented PlanetFinance’s market research and impact assessment initiatives in Benin and Croatia. They also reviewed specific tools and methodologies that are currently available and used by PlanetFinance.

Following the international speakers, FINNET partners presented their own experiences in designing and implementing market and impact studies in Haiti. Christon Domond gave ACLAM’s recent experience with a client satisfaction survey; Lionel Fleuristin of COD/EMH presented its experience with a new micro-insurance product; Anne Hastings of FONKOZE communicated the importance of a market-guided approach in developing new products; and Danielle Lustin presented FHAF’s experience with indicators to measure impact of microcredit services on women.

The second day of the conference was conducted in a workshop format facilitated by the international experts. These technical sessions offered participants an opportunity to learn more about research/impact methodologies, the research process, necessary resources, and integration techniques. The sessions allowed participants to think through strategies for their own institution and walk away with a better knowledge of tools and concepts that could be of use to their institution.

The conference program led to an increased awareness of impact assessment and market research and to an understanding of creating and institutionalizing a set of tools that are viable for each institution. Further, many issues were discussed during the conference that are also important for the evolution of the Haitian microfinance sector. Based on these discussions, DAI/FINNET will be organizing roundtables and seminars on association building, creation of a private sector credit bureau, regulation and supervision, and rural market penetration.

Crisis Management Plan Developed for BUH

At the request of BUH, FINNET developed a technical assistance intervention to support BUH's own efforts to manage more effectively its growing level of delinquencies, and to refocus its business development activities in the microfinance market.

Former FINNET Chief of Party Robert Dressen returned to Haiti from April 1-5 to assist BUH's microfinance department, Krédi Popilè, in establishing a short-term and long-term plan to restructure the bank's microfinance department, to restore the proper level of portfolio supervision and control, and to implement an effective program of delinquency management and loan recovery.

Meetings were held with members of the board of directors, the management of the Microfinance Department, as well as the Operations Manager and Regional supervisors of Kredi Popile to better understand the causes of the current crisis.

In addition, Rob Dressen, assisted by international consultant Manuel Moyart, held a one-day workshop for supervisors with two major objectives : (a) to ensure that the supervisors understand their new job and immediate responsibilities in the Crisis Plan ; and (b) to develop an action plan with clearly-assigned tasks and milestones.

Key tasks for the short and long term include communicating and building internal support for the action plan, active recoveries and reduction of arrears, developing an appropriate incentive plan, formal training for new staff and refresher training for all staff levels, systematic compliance reviews of all branches, allocating appropriate resources to the process, and upgrading MIS.

A follow-up visit is planned for Manuel Moyart in July/August to evaluate BUH's progress in implementing the tasks outlined in the plan, and to provide additional guidance to correct less than optimal performance.

GENERAL ACTIVITY REPORT

Similar to previous quarters, the general activity report is divided into three parts that correspond to the three principal segments of our work. As outlined in TAMIS Document #1, they are: industry component, institution building component, and financing component. Where possible, documents generated from TAMIS are used as supporting documents to the quarterly report.

INDUSTRY COMPONENT

Information and Networking:

◆ Project website continues to be enhanced

The website, www.daifinnet.com, is regularly updated to reflect project activities, industry news, new partners' information and current training schedule. Among the new documents posted during this quarter were the 2001 MFI census database, the national conference presentations, and the summary of past roundtables. During this past quarter, the website received 11,674 hits, and 555 visitors.

◆ Roundtable addresses prospect for a legal framework

DAI/FINNET held its second leadership roundtable of the year 2002 on June 5th. The quarterly leadership roundtable had two major themes on the agenda. The main theme focused on the issue as to whether there is a need for a legal framework for microfinance which would require regulation and supervision by the Central Bank. The discussions were supported by presentation by Danielle Lustin of FHAF of the experiences in Bolivia and other countries, as well as the findings from a study on the Haitian industry prepared by Claude Falgon, and commissioned by PRET and KNFP (Konsey Nasional pou le Finansement Popilè). KNFP is a Haitian network whose membership consists mainly of village banking practitioners. This set the stage for the second item of the agenda, a presentation by KNFP on its mission and objectives, its structure and its membership.

◆ Linkages explored with AED's LearnLink project

At USAID's referral, representatives from the Academy for Educational Development's LearnLink project met with FINNET on June 3. Present were Michael Tetelman, Project Director at AED, Karl Stanzick, an IT specialist from MTDS, and Thony Baptiste, Resident Project Coordinator. LearnLink has been working with local Internet Service Providers to develop telecentres in Cayes and Jacmel into sustainable businesses. The project worked with the telecentres to develop training modules on Internet as well as other software applications. LearnLink is planning to hold several training workshops towards the end of the project in July 2002. FINNET suggested that a one-day workshop targeted specifically to MFIs would be very useful and that

FINNET can work with the trainer to ensure that the content is tailored to the partner institutions' needs.

◆ **Meeting held with IDB Mission**

DAI/FINNET met with Fernando Campero of IDB/Washington and Ralph Denizé, IDB's representative in Haïti, on June 20. Mr. Campero came to Haiti to explore potential investments in microfinance, and wanted to obtain FINNET's perspective on the country's microfinance sector as well as the key players in it. During his trip, Mr. Campero also visited several FINNET partners including ACME, FONKOZE, MCN, and MEDA.

Industry Infrastructure:

◆ **New Version of Excel-based program developed for bad debtor's list**

DAI/FINNET conducted a demonstration of a new version of the Bad Debtors List software program on June 24. Eight out of the ten member MFIs were in attendance. This new version follows the initial test version and incorporates the different suggestions of the group members. Among the improved features of the program were:

- a more user-friendly search screen that allows for easy reading and printing;
- a screen that facilitates the entry of new names in a standardized format, and that automatically saves the new additions in a file for transmission to DAI/FINNET;
- the ability to read the submission on-screen and make corrections before sending to DAI/FINNET;
- a clearer set of user messages that indicate the number of names submitted by the institution, as well as the number of new names received by the institution from DAI/FINNET; and,
- the ability to print the global list for use by branches that are not automated.

During the discussion, participants expressed an interest in developing a common definition for a "bad debtor," and the possibility of creating a sub-list to house those bad debtors that succeeded in reimbursing the entirety of their loan. A follow-up meeting to discuss these issues is scheduled for July 23rd. The Port-au Prince list contained a total of 5,561 names at the end of this quarter.

◆ **Annual MFI census published**

The 2001 inventory of Haitian microfinance institutions was completed this past quarter. 81 MFIs were inventoried, with a total credit portfolio of 655 million gourdes (about US\$26 million) as compared to 593 million gourdes (US\$24 million) in 2000, and a total of 78,350 loans outstanding compared to 61,560 in 2000. This represents a +20% increase in the number of clients served.

For this year's edition, several tables were added which show the evolution of the sector since the first inventory in 1999. Interestingly, commercial banks and for-profit entities affiliated with commercial banks showed the highest growth rate in the past 3 years, from a total of 65 million gourdes (US\$2.6 million) to 191 million gourdes (US\$7.6 million) in outstanding credit.

◆ External Audits

On June 6th, DAI/FINNET, in collaboration with Freedom from Hunger/MicroStart, organized a follow-up post audit workshop for the three MFIs (ACLAM, ACME, COD/EMH) who had experienced their first external audits as was required by the MicroStart Project.

The objectives of the workshop were to review and concretize the key elements of the audit process. These were to:

- Identify the steps necessary for an MFI to effectively prepare for an external audit, based on their recent experience.
- Evaluate the process of contracting and working with their external auditor and make recommendations for improving the process in subsequent years.
- Review and analyze the audit activities that took place in their institution.
- Determine how to use the audit report and recommendations to improve their microfinance activities.
- Develop an audit plan for the coming year.

At the beginning of the workshop, the three MFIs defined a top ten list of things that an MFI should do to prepare adequately for an audit. These were noted as:

1. Contact the firm to obtain information about the firm, the skills and availability of its personnel.
2. Develop the terms of reference.
3. Conduct an internal review of the internal controls system.
4. Identify the types of documentation to be provided to the auditors.
5. Verify that accounting documents and back-ups are available on-site.
6. Identify those personnel that will be implicated in the audit process and make sure they are aware of their responsibilities.
7. Select one person to act as the liaison between the MFI and the audit firm.
8. Develop a calendar for the audit process.
9. Verify that auxiliary journals are reconciled.
10. Assure the proper classification of documents.

The MFIs deemed the audit process to be useful, even though difficulties and challenges were experienced. The level and quality of communication between the audit firms and the MFIs were considered good, though some remarked that keeping careful meeting notes would have facilitated ensuing discussions.

The MFIs noted the following lessons learned:

- Maintain a comprehensive inventory of all documents provided to the auditors.
- Confirm with the audit firms the make-up and qualification of the audit team.
- Be clear about who should be the liaison between the MFI and the audit firm.
- Keeps an audit file containing a written record of every issue that was discussed with the auditors, and what was mutually agreed upon.

Meetings were also held with the two audit firms to discuss the firms' experience with the audit process, and to gauge their interest in continuing to work in the microfinance sector. The meeting with PAGS, the firm who audited ACME, was held in May while the meeting with CEGEC, who audited ACLAM and COD/EMH, was held in June. While both firms admitted that they faced many challenges during the MFI audit process, they considered the experience to be a good investment of their resources and are willing to continue working with this segment of the market.

DAI/FINNET and FFH/MicroStart plan to work together to document the audit experience in a technical note to convey the perspective of the MFIs as clients as well as to relate the audit firms' point of view.

◆ Networks

On May 24th, DAI/FINNET participated in a roundtable organized by KNFP, a local network of village bank MFIs and mutualist organizations, to present a new initiative called IMOFOR (Institut Mobile de Formation). The institute is registered as a not-for-profit entity with an operational structure that is separate from KNFP, but that will be overseen by the board members of KNFP.

The principal objective of IMOFOR is to act as a training center for village bank clients (committee members, animators, etc.), mutualist groups, staff of microfinance institutions, as well as staff of organizations funding MFIs. The training will be adapted to local conditions. Under IMOFOR's methodology, a training track will be developed for each category of trainees, i.e. clients, promoters/animators, credit officers, etc. Each track will include 6 training modules, one of which consists of a "field internship." The trainers will be pulled from the staff of member institutions.

KNFP expects to receive partial funding from the Dutch government for this initiative. Member institutions are also expected to pay a regular inscription fee in order to cover the costs of the training services.

DAI/FINNET will monitor the evolution of IMOFOR and will provide advisory services to the institute's management on an as-needed basis.

New Product Development:

◆ Micro Insurance

On June 13th, DAI/FINNET and ILO/STEP met with representatives of COD/EMH to review the progress of ASPAKO, the institution's pilot health micro insurance program. At the end of May, 174 clients from 11 village banks have adhered to the program, more than doubling the initial target of 50 adherents from 5 village banks. The agreement with Notre Dame Hospital, one of the two health care providers, remains unsigned. The hospital indicated that it is undergoing a restructuring process in order to improve the quality of care provided to patients.

To date, no claims have been received under ASPAKO. Given the newness of this pilot experience, it was agreed that a progress meeting be held each month where COD/EMH can present the status of its program and raise any issues/concerns that need to be addressed.

CARM:

◆ Regional CARM Trainings held

A half-day training was held by the CARM/South on June 25th to improve the skills level of credit officers and regional coordinators in the use of Excel as a tool for more effective management and reporting of portfolio data. 10 participants from 5 partner institutions attended this training. A sample spreadsheet was developed and used during the training to demonstrate the functionalities of the software program.

During the session, it became evident that not all participants were sufficiently skilled on Excel, and that some additional basic skills training are necessary. In addition, it was recommended that the CARM representative conduct a needs assessment prior to the training so that the content can be adapted to the skills level of the participants for future sessions.

In May, a one-day training session was held by the CARM/South for credit officers on basic accounting principles that are necessary in the management and monitoring of village banks.

In addition, the CARM representatives have adapted two training modules for future use that were delivered at the Port-au-Prince level to meet the needs of the field staffs of MFIs—one relates to leadership and the other concerns principles of adult education.

◆ CARM/South Bad Debtor List to be published on a monthly basis

A meeting was held at CARM/South on May 29th to discuss the possibility of increasing the frequency of the publication of the bad debtor's list in the South. Eight of the ten

signatory members attended the meeting and concurred to submit names on a monthly basis. In addition, those present at the meeting provided positive feedback on the utility of the list as a tool for managing risk and in promoting a closer collaboration among MFIs in the region. The list in the South contained 267 names at the end of June. In the North, the list counted 238 names.

◆ **Improving Internal Account Management in MEDA Village Banks**

During the months of April and May, MEDA conducted a series of trainings for village bank committee members on the new internal account management tools, and requested DAI/FINNET to assist in the programs to ensure that key messages are effectively communicated. The two CARM representatives were implicated in this training to ensure that local and continual technical assistance will be available to MEDA's field staff. In April, the CARM/South representative assisted in the trainings held in the South and in the Grande Anse. During May, the CARM/North representative and the CARM coordinator accompanied MEDA's training in four zones in the north.

INSTITUTION BUILDING COMPONENT

During this past quarter, DAI/FINNET's interventions focused on different aspects of portfolio management, from credit analysis to loan recovery to arrears management. The project's general training program was expanded to include a broader range of MFIs working in the sector, and to reach beyond the senior management staff to include regional supervisors/branch managers as well as credit officers. A more concerted effort was also made to reinforce the competencies of credit officers working in direct lending institutions through the development of a core curriculum on basic credit and portfolio supervision. The main aim of this intervention is the eventual standardization of credit procedures within MFIs from the moment the application is received to the moment the loan is reimbursed.

DAI/FINNET also worked to strengthen the portfolio reporting system of partner MFIs, whether by supporting the purchase of a new MIS, by providing technical assistance on the transfer of data from the old system to the new, or by evaluating the overall information flow and the reporting structure within the institution. By intervening at the systems level, DAI/FINNET can ensure that MFIs can have access to a comprehensive and accurate set of information on their portfolio when they need it and in the format that they need.

The section below provides a summary of the types of activities undertaken with each key partner, as well as the training seminars that were offered during Y3Q1.

ACTIVITY	DATE	Participating Institutions
<i>Port-au-Prince Based</i>		
Basic Credit Analysis	02-03 Apr 2002	ACME, BUH
	05-06 Apr 2002	ACME, BUH, FHAF, SOCABANK, Capital Bank, FONKOZE
Delinquency Management	15-17 Mai 2002	ACLAM, ACME, BUH, COD/EMH, FOEDEPE, GTIH, MCN, MEDA, SADA, SOGESOL
	17-19 June 2002	ACME, APTECH, BPH, BUH, CARITAS, COD/EMH, FHAF, FODEPE, FONKOZE, MCN
Post-Audit Workshop	06 June 2002	ACLAM, ACME, COD/EMH
<i>CARM-based</i>		
Internal Account Management Tools		
➤ CARM/South	10-12 Apr 2002	MEDA
➤ CARM/North	07-10 May 2002	MEDA
Basic Accounting for Village Banking Credit Officers (CARM/South)	22 May 2002	ACLAM
Portfolio management on Excel (CARM/South)	25 June 2002	CODÉ, COD/EMH, FONKOZE, CARITAS, CPC

Non-Bank Technical Assistance:

◆ Individual Institutional Interventions

ACLAM

ACLAM senior and field staff actively participated in the training sessions provided by DAI/FINNET this quarter.

ACLAM presented the final findings of their client satisfaction study at the annual National Conference organized by FINNET. As a follow-up to this study, the institution expressed interest in training its personnel on market research techniques. ACLAM would like to conduct a market study in the Central Plateau, where delinquency has been high, to determine the level, nature, and quality of the potential demand that exists in the region. DAI/FINNET is exploring the possibility of providing training to ACLAM and other partners on the MicroSave market research tools later in the year.

The final audit report was received from CEGEC at the beginning of June. ACLAM is committed to responding to all the recommendations raised by the auditors. After the post-audit workshop held on June 6, ACLAM decided to hire CEGEC to provide technical assistance on the implementation of a separate accounting system for the credit program. The MicroStart program will finance this activity.

ACLAM had decided to buy and install the Loan Performer software to manage its portfolio. AGIR will work with ACLAM to train its staff on the utilization of the system, and will also conduct a review of existing reports to ensure that the data captured meets the information needs of the institution.

ACME

ACME senior and field staff actively participated in the training sessions provided by DAI/FINNET this quarter.

ACME received the final audit report from PAGS in April 2002 and has already begun implementing the recommendations presented by the auditors. The institution was very satisfied with the quality of the entire audit process and the professionalism of the firm. ACME intends to use PAGS again for the second audit.

ACME is in the process of negotiating another line of credit from Capital Bank but feels that the terms of the loan should be more reasonable (the bank is proposing a 21% interest rate backed with a 100% guarantee). The institution has ambitious growth plans during the next three years, aiming to have 10,000 clients by 2005. Financing this growth will be the major challenge and constraint facing the ACME.

The Loan Performer program is working well for the active portfolio. However, ACME would like all historical data from the start of the institution to be inputted into the system. An attempt at developing an automated interface for this transfer was unsuccessful due to the architecture of the software program. As a result, ACME hired two data entry operators to manually enter all past transactions. This work is expected to be finished by October 2002.

COD/EMH

COD/EMH continues to participate in trainings provided by DAI/FINNET at the Port-au-Prince and the CARM levels.

COD/EMH received a draft audit report from CEGEC at the beginning of June. The firm was unable to express an opinion on the financial statements provided by COD/EMH. In addition, several material weaknesses in the system were raised by the auditors. AGIR is providing technical assistance to COD/EMH to clarify some of the issues raised in the draft with a few to having the auditors modify some of the initial comments. AGIR will also offer some guidance to COD/EMH in the drafting of the management response to the draft report, and also to obtain additional details

on certain postings made by the auditors on the financial statements. Given the seriousness of the audit findings, DAI/FINNET expects there will be a need for some major restructuring of the credit program and internal controls at COD/EMH in the coming months.

DAI/FINNET continued to provide technical assistance to COD/EMH on its pilot health micro-insurance project in Petit Goave. See the Industry Section of the quarterly report under New Product Development for more information.

FONKOZE

FONKOZE actively participated in all the trainings provided by DAI/FINNET in Port au Prince and at the CARM level.

FONKOZE received technical assistance from DAI consultant Gabor Simon in the month of May. The consultant reviewed the institution's IT plan and the activities that were completed to date, and provided recommendations to management on the different aspects of the IT plan—installation of eMerge, electrification of the branches, communications, hardware acquisition, and system training. Subsequent to Gabor's trip, the IT Director resigned and FONKOZE engaged an external IT firm to manage the eMerge transition.

DAI/FINNET, through its subcontract AGIR, assisted FONKOZE in the recruitment of a senior accountant in April. It was decided that AGIR would provide a senior accountant to Fonkoze for a period of a year, after which time, the institution will have the option to hire the person on a permanent full-time basis. In addition, AGIR recruited a senior consultant, Francis Hilaire, to train and supervise the development program for the accountant during his initial probation period.

FONKOZE hired Claude Labossière as a part-time CFO effective in May. Labossière has been providing financial advice to the institution for the last year and is considered to be a valuable addition to FONKOZE's management team. His hiring was especially timely as the Executive Director was forced to leave Haiti at the end of May due to a medical emergency and was expected to be absent until mid-July.

MEDA

MEDA actively participated in all the trainings provided by DAI/FINNET at the Port au Prince and the CARM levels.

DAI/FINNET provided technical assistance to MEDA during its training for village bank committee members on the new internal account management tools and procedures. A series of trainings was held in the months of April and May in all the MEDA operating regions.

MEDA's portfolio management program, APA, entered its sixth month of testing in June. While the system is not yet ready for full implementation, the institution is preparing the staff by providing training to all regional coordinators on the system.

In response to MEDA's request for a network server, DAI/FINNET asked its local IT consultant, Pierre Marc Gerald, to conduct an evaluation of the institution's current system and to provide recommendation on a network configuration that will not only meet the institution's current needs but its future growth as well.

In June, MEDA activated its Internet service through StarBand, an off-site satellite service based in Miami. This is expected to facilitate communications and reporting between HQ and branch offices.

Commercial Bank Technical Assistance:

◆ Individual Institutional Interventions

BUH

BUH senior and field staff participated actively in trainings provided by DAI/FINNET at the Port-au-Prince and the CARM levels.

BUH developed a short-term and long-term crisis management plan with the assistance of Robert Dressen and Manuel Moyart. See the Project Highlights section above for more details.

As part of BUH's efforts to improve its portfolio management system, the Director worked with consultant Gabor Simon to develop a set of five key reports that the microfinance division needs to manage its portfolio properly and efficiently.

At the end of June, BUH successfully completed the installation of Kindle in all Kredi Popile branches. This is the first step in integrating the management of the microfinance portfolio into the bank's overall system.

Capital Bank

Capital Bank received STTA from Gabor Simon during May. The consultant advised the bank on different IT options that it should consider for implementation of an effective and efficient MIS for microfinance. Capital plans to launch its microfinance product by December.

Credit Union Technical Assistance:

A summary of DID activities for the quarter ended 30 June 2002 is included in the appendix. In brief, DID is providing its support to 23 identified sites, 15 of which have started operations and 8 are still in the development phase. Recruitment of qualified staff and directors remains an important constraint. DID noted that competition among cooperatives slowed following the closing of a number of cooperatives offering an interest rate on placements of 10% per month. DID has provided appropriate information to members of DID supported cooperatives to encourage them to maintain confidence in good cooperatives. In addition, cooperatives supported by DID are very receptive to the recently passed law regulating the activities of savings and credit cooperatives. In this quarter, several training sessions have been held to provide guidance on achieving good operating results and to assure that delinquencies are contained at a reasonable level.

Training and Tools:

◆ Delinquency Management

From May 15-17, DAI/FINNET conducted the first replication of the CGAP course on “Delinquency Management.” This is the second in a three-course curriculum that FINNET will be delivering throughout the year. 22 participants from 10 institutions participated in this session, including the two CARM representatives. The key objectives of the course are to analyze the causes of delinquency, to assess the costs of delinquency to the institution, to identify ways to control delinquency, and to develop an institutional action plan to address delinquency.

During the three-day training, participants were able:

- to discuss what delinquency means in their respective institutions and to compare these definitions with international best practices;
- to learn how to evaluate the quality of an MFI’s portfolio through the calculation of ratios such as repayment rate, portfolio at risk, loan loss rate, and to debate the advantages and shortcomings of these ratios; and
- to assume the role of borrowers in order to identify factors that would increase borrowers’ motivation to repay and reduce disincentives for on-time repayment.

A case study was presented on the last day of the course which required participants to identify the causes of delinquency within a fictitious institution and propose a short-term and long-term plan to address the situation.

Given the importance and urgency of this topic among MFIs, a repeat session of this courses was held from 17-19 June where 15 participants from 12 institutions attended. Two additional sessions are scheduled for October 2002 and January 2003.

In addition, DAI/FINNET plans to adapt this course for the field staff of partner MFIs by developing a module in Kreyol that can be delivered by the CARM staff. A follow-up technical assistance package is also envisaged to help partners put in place an improved loan recovery policy and procedures.

◆ **Credit Officer Training – Basic Credit Analysis**

During the first week of April, international consultant Manuel Moyart conducted two 2-day sessions on credit analysis for direct lenders. 25 participants from two institutions attended the first session; 26 participants from 6 institutions were in the second session.

The first day of training touched upon the general concepts of microcredit – (a) similarities and differences between credit and microcredit, (b) basic principles of credit, (c) characteristics of the activity, of the product and the customer, and (d) the credit cycle.

On day 2, participants went through two practical exercises of credit analysis. First, participants conducted a qualitative analysis of a prospective customer, and prepared a presentation of the case to a committee or supervisor. Secondly, participants worked on a case study that required the construction of a cash flow projection for the client's enterprise.

It was apparent from the training that the loan officers:

- received very little theoretical training from their institution;
- do not have a methodical approach to analysis (understanding the context, systematically asking the questions, etc.) or follow a set guideline in their work; and,
- do not understand the concepts of balance sheet and P/L account as essential analysis instruments. Most officers see them only as an accounting exercise, and not as a credit decision tool.

To this end, DAI/FINNET will assist partner institutions to standardize their approach to credit analysis (e.g. developing a checklist of questions), and to reinforce officers' quantitative analysis skills.

DAI/FINNET plans to offer this credit analysis course on a quarterly basis to partner MFIs. In addition, a second course on portfolio supervision will be added in the coming quarter to reinforce the capacity of branch supervisors.

General Advisory Services:

This quarter DAI/FINNET staff met with, advised, or gave briefings to several diverse parties interested in accessing FINNET services. The most substantive were:

◆ **SogeSol**

On April 16, DAI/FINNET met with Margarete Lemaire, the Director of Organizational Development at SogeSol, a subsidiary of SogeBank and an ACCION affiliate. Mrs. Lemaire's department was created recently to address and coordinate the training needs of the SogeSol staff. While ACCION does provide training on work processes and methodologies, she indicated that there exists an unmet need for training on microfinance-specific themes such as accounting, business planning, and ratio analysis. Consequently, she wanted to meet with DAI/FINNET to discuss the possibility of SogeSol staff being able to participate in the general trainings provided by the project. It was agreed during the meeting that SogeSol submit a letter indicating their training needs and that DAI/FINNET will inform the institution of all upcoming general training sessions.

◆ **MCN**

Dörte Weidig, Director of Micro Credit National, a subsidiary of UniBank and IPC partner, visited the DAI/FINNET office to discuss the possibility of being more actively included in the training and technical assistance provided by the project. The technical assistance funding that MCN was supposed to receive from KfW has been blocked due to the freeze on bilateral aid. This presents some serious concerns for MCN as the institution is unable to proceed with its institutional strengthening interventions.

DAI/FINNET invited MCN to become a Tier 1 Partner as this would allow the institution to benefit from a broad range of interventions. A formal request has been received and the Partnership Agreement is expected to be signed and a technical assistance workplan to be developed in the coming month. Among some areas of technical assistance identified were basic credit training for new staff, internal controls/audit program development, website development, and study tours/international trainings.

With the possible addition of MCN, and the inclusion of FONKOZE since March as a key partner, DAI/FINNET would expand its technical assistance network substantially by now working with the all the leading actors in the microfinance industry in Haiti.

◆ **Banque Populaire Haitienne (BPH)**

BPH visited FINNET offices to announce its entry into the microfinance market. BPH, a state-owned commercial bank, officially launched its microfinance product in June. The bank is following the BUH model of introducing the microloan program as a new product line of the bank. The institution plans to proceed slowly, with two credit officers hired and a target of 25 loans in the first month. In a meeting held with DAI/FINNET on June 28, the institution was informed that it will be invited to participate in general training sessions offered by the project. As the program evolves and its needs become more evident, DAI/FINNET will evaluate the type of technical assistance that can be provided to the institution.

◆ **World Relief.**

DAI/FINNET met with representatives of World Relief on May 16 — Ken Graber, Director, Microenterprise Development Service Team in Baltimore, Md. ; Dr. Hubert K. Morquette, Haiti Country Director ; and Marculey H . Sanon, Micro-Enterprise Program Coordinator for Haiti. World Relief last met with DAI over two years ago at the time of PRET. World Relief has started a small microfinance program (village banking) and has about 700 clients in Port au Prince. The institution is interested to know more about FINNET and the current USAID approach to microfinance. A brief presentation was made on FINNET objectives and programs. FINNET perspective on microfinance in Haiti and current market trends were also discussed. It was recommended that the institution provide DAI/FINNET with additional information about the institution and its strategy for microfinance and that a follow-up meeting scheduled.

◆ **UNICEF**

On May 21, DAI/FINNET met with Guirlène Frederic and Jacques Gruloos from UNICEF to discuss the institution's program in the area of HIV/AIDS and income-generating activities. UNICEF currently has a project to help families who are taking care of HIV/AIDS orphans and is interested in tagging on an income-generating component. Mr. Gruloos, a consultant for UNICEF, is in Haiti to meet with key organizations working in the microfinance sector, as well as those who have both microfinance and health components in their program to explore potential partnership. DAI/FINNET advised UNICEF to tackle the microfinance-HIV/AIDS linkage carefully and to respect microfinance best practices in the design of the new program. The team was also invited to consult existing documentation on the topic that is available at the Resource Center in order to be better informed about initiatives taken in other countries and the lessons learned to date about the types of financial services that could be provided to families affected by HIV/AIDS.

FINANCING COMPONENT

SOFIHDES Technical Assistance:

◆ **SOFIHDES Reviews Two Special Projects Funding Applications.**

On June 14, DAI/FINNET participated in a grant review committee meeting at SOFIHDES. Two requests were being considered under the Special Project window – the first from COD/EMH to fund the scaling-up of its pilot micro health insurance program in Petit Goave; the second from Initiative Développement (ID) to fund the expansion of a community-based credit program in the Central Plateau. Both requests were approved pending the provision of additional supporting documentation and clarification of certain budget line items.

Institution Building Financial Assistance Awards Program:

During this quarter, DAI/FINNET received the following requests for funding:

- (a) request by ACME, BUH, and FHAF to send the respective Executive Director to the MicroBanking Summer Academy in Frankfurt, Germany, an executive training program for microfinance practitioners;
- (b) request by FONKOZE to purchase several small servers for its branches as part of the transition to eMerge;
- (c) request by FONKOZE to fund a demand analysis to be submitted to the Central Bank as part of its application for a commercial bank license;
- (d) request by MEDA to send its Credit Director to the Microfinance Training Program in Boulder, Colorado, an intensive training program sponsored by CGAP.

The total amount of these requests is approximately \$53,000, bringing the total amount expended to date at \$158,000.

PROJECT MANAGEMENT

Personnel:

As of 30 June DAI/FINNET employed 14 people; five seniors, four juniors, and five support personnel. Additional short contractual consultants are engaged on an as needed basis.

Results Reporting – Monitoring & Evaluation:

A separate section of the quarterly report is devoted to the statistical results of key partners. As the reporting systems of partners improve, the information in the report will be enhanced.

Budget Comments:

As of 30 June 2002, a summary of financial information pertaining to invoicing is as follows:

Contract Amount:	USD 10,307,002
Amount Obligated:	USD 3,650,000
Cumulative Amount Invoiced:	USD 3,094,973
Average Monthly Burn Rate:	USD 114,629

The higher burn rate is due to overall pickup in project momentum. There continues to be use of the Financial Awards by MFIs, and higher levels of international STTA for technical assistance and training.

TAMIS DOCUMENT INDEX

1. Major Work Plan Components
2. Partners Report
 - a. Tier One
 - b. Tier Two
3. Resource Center Activity Report
4. Action Memorandum Report
5. Cumulative Output Report
6. Training Statistics Report

PARTNER LIST
TAMIS Document # 2

TIER ONE - KEY PARTNERS

INSTITUTION	METHODOLOGY	COMMENTS
ACLAM (World Concern)	Village Banking	NGO
ACME	Individual Loans	NGO
Banque de l'Union Haitienne (BUH)	Individual Loans	Commercial Bank
COD/EMH	Village Banking	NGO
FONKOZE	Solidarity Group	NGO
MEDA	Village Banking	NGO

TIER TWO PARTNERS

INSTITUTION	METHODOLOGY	COMMENTS
Capital Bank	Individual Loans	Commercial Bank
FHAF	Individual Loans	NGO
FODEPE	Village Banking	NGO
GRAIFSI	Credit Mutuals	NGO
GTHI	Individual Loans	NGO
SADA	Individual Loans	NGO